BELLSOUTH TELECOMMUNICATIONS, INC.

DIRECT TESTIMONY OF CYNTHIA K. COX

BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION

DOCKET NO. 13542-U

APRIL 3, 2001

Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR BUSINESS ADDRESS.

A. My name is Cynthia K. Cox. I am employed by BellSouth as Senior Director for State Regulatory for the nine-state BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE.

A. I graduated from the University of Cincinnati in 1981 with a Bachelor of Business Administration degree in Finance. I graduated from the Georgia Institute of Technology in 1984 with a Master of Science degree in Quantitative Economics. I immediately joined Southern Bell in the Rates and Tariffs organization with the responsibility for demand analysis. In 1985 my responsibilities expanded to include administration of selected rates and tariffs including preparation of tariff filings. In 1989, I accepted an assignment in the North Carolina regulatory office where I was BellSouth's primary liaison with the North Carolina Utilities

Commission Staff and the Public Staff. In 1993, I accepted an assignment in the Governmental Affairs department in Washington D.C. While in this office, I worked with national organizations of state and local legislators, NARUC, the FCC and selected House delegations from the BellSouth region. In February 2000, I was appointed Senior Director of State Regulatory.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to present BellSouth's policy positions on the two issues designated for this proceeding as contained in the Commission's Procedural and Scheduling Order dated March 6, 2001.

Issue 1: Does a CLEC, as the requesting carrier, have the right pursuant to the Act, the FCC's Local Competition Order, and FCC Regulations, to designate the network point (or points) of interconnection at any technically feasible point?

Q. PLEASE DESCRIBE THE TERM POINT OF INTERCONNECTION, AS REFERRED TO IN THIS ISSUE.

A. The term Point of Interconnection, or "POI" describes the point(s) where BellSouth's and a CLEC's networks physically connect. In its First Report and Order, at paragraph 176, the FCC defined the term "interconnection" by stating that:

We conclude that the term "interconnection" under section 251(c)(2) refers only to the physical linking of two networks for the mutual exchange of traffic.

Therefore, the term "Point of Interconnection" is simply the place, or places, on the parties' networks where that physical linking of a CLEC's and BellSouth's networks takes place. The POI is the place where the CLEC's facilities connect to facilities built by BellSouth.

Q. HOW WOULD YOU CHARACTERIZE THE POI ISSUE?

A. The issue is really a question of financial responsibility, not whether a CLEC has the right to designate a POI at a technically feasible point. Put simply, the question is who should pay the costs BellSouth incurs when it delivers a local call from the local calling area within which the call originates, and will ultimately terminate, to a POI located in a different local calling area.

Q. DOES BELLSOUTH OBJECT TO A CLEC ESTABLISHING A SINGLE POINT OF INTERCONNECTION IN EACH LATA?

A. No. BellSouth does not object to a CLEC establishing a single POI in each LATA. BellSouth is not attempting to force CLECs to build facilities throughout the LATA, or to create a "hub-and-spoke, switch-intensive architecture". BellSouth simply objects to bearing the costs of hauling its local traffic to a point outside the local calling area in which it originated and will ultimately terminate.

Q. PLEASE PROVIDE AN EXAMPLE OF HOW THE LOCATION OF A CLEC'S POI IMPACTS BELLSOUTH.

A. Exhibit CKC-1, Diagram 1, to my testimony shows the Atlanta and Columbus local calling areas in the Atlanta LATA. Both BellSouth Customer No. 1 and BellSouth Customer No. 2 are located in Columbus. When Customer No. 1 calls Customer No. 2, the call is transported over Customer No. 1's local loop to a local switch, where it will then be terminated to Customer No. 2's local loop. The call never leaves Columbus.

Exhibit CKC-1, Diagram 2, shows the same LATA and the same local calling areas as Diagram 1. This time, both a BellSouth customer and a CLEC customer are located in Columbus, and the POI is located in Atlanta. When the BellSouth customer calls the CLEC customer, the call must be hauled outside of the Columbus local calling area to the CLEC's POI in the Atlanta local calling area. The CLEC will then pick up the call at the POI and haul it back to Columbus to terminate it. Obviously, the cost of delivering this local call from Columbus to Atlanta is a cost BellSouth did not incur when delivering a local call as shown in Diagram 1.

CLECs want BellSouth to bear the costs of hauling that local call from the Columbus local calling area to the POI in the Atlanta local calling area so that the CLEC can haul it back to the local calling area from which it originated. BellSouth believes that a CLEC, which has chosen its own network design, must bear the financial responsibility for the costs of hauling the local call outside of the local calling area in which it originated. The CLEC does not have to build the facilities. It does not have to own the facilities. The CLEC just has to pay for them.

Q. WHAT ADDITIONAL COSTS WOULD BELLSOUTH INCUR TO HAUL THE TRAFFIC OUTSIDE THE LOCAL CALLING AREA OF THE ORIGINATING BELLSOUTH CUSTOMER?

A. BellSouth is incurring the additional costs of hauling local calls between local calling areas, without being compensated for those costs. The costs that BellSouth would incur to haul the traffic outside the local calling area of the originating BellSouth customer are the costs of providing dedicated interoffice transport. Normally when BellSouth carries a call outside the local calling area, BellSouth is compensated for this transport. For example, when BellSouth carries an intraLATA toll call, BellSouth is compensated in the form of toll charges from its customer who placed the call. When a BellSouth customer places an interLATA call, BellSouth collects originating access from the interexchange carrier (IXC). Similarly, BellSouth should be able to recover costs from CLECs for hauling traffic outside a local calling area.

Q. DO BELLSOUTH'S LOCAL EXCHANGE RATES COVER THE ADDITIONAL COSTS THAT BELLSOUTH WOULD INCUR IN HAULING A CALL THAT ORIGINATES AND TERMINATES IN COLUMBUS TO THE POINT OF INTERCONNECTION IN ATLANTA?

A. No. Although in theory BellSouth is compensated by the local exchange rates charged to BellSouth's local customers for hauling local calls within the same local calling area, there has always been a dispute over whether local exchange rates actually cover the costs of local service. Certainly, there can be no dispute that the local exchange rates that BellSouth's customers pay are not intended to cover and, indeed, do not cover the cost of hauling a local call from one customer in Columbus to another customer in Columbus, by way of a POI in Atlanta.

Q. DOES BELLSOUTH RECOVER ITS COSTS FOR INTERCONNECTION TRUNKS THROUGH RECIPROCAL COMPENSATION CHARGES?

A. No. The facilities discussed in this issue provide interconnection between the parties' networks. Their costs are not covered in the reciprocal compensation charges for transport and termination.

Utilizing the previous example, under CLECs' proposals, the CLEC would pay reciprocal compensation for calls originated by CLEC customers in Columbus and terminated to BellSouth customers in Columbus. BellSouth, however, pays reciprocal compensation for calls that originate from BellSouth customers and terminate to a CLEC's customers. Therefore, BellSouth not only receives nothing for transporting these calls, but also has to pay the CLEC reciprocal compensation.

Q. IF THIS COMMISSION ADOPTS BELLSOUTH'S POSITION ON THESE ISSUES, WILL A CLEC BE FORCED TO BUILD A NETWORK TO, OR OTHERWISE HAVE A POINT OF INTERCONNECTION WITH, BELLSOUTH'S LOCAL NETWORK IN EVERY LOCAL CALLING AREA?

A. No. A CLEC will not be required to build or lease facilities in any local calling area in which it has no customers. With regard to local calling areas in which the CLEC does have customers, it can build out its network if it chooses, but it is not required to do so. A CLEC has several choices: (1) it can pay BellSouth to transport the traffic from the originating local calling area (the "Billing Point of Interconnection" or "BPOI") to the physical POI in a distant local calling area, (2) it can negotiate with BellSouth to establish a "Mid Span Meet Point", (3) it can install its own facilities by collocating at a BellSouth central office, or (4) it can lease facilities from BellSouth or any other provider, which it can then combine in a collocation space, to bridge the gap between its network (that is, where it designates its POI) and each BellSouth local calling area where the CLEC has customers of its own that BellSouth customers will need to reach.

Q. WHAT RATES DOES BELLSOUTH PROPOSE TO CHARGE FOR THE USE OF ITS FACILITIES TO HAUL CALLS OUTSIDE THE LOCAL CALLING AREA?

A. The appropriate rates for the use of BellSouth's facilities to haul calls back and forth between the CLEC's point of interconnection and the local calling area of the originating and terminating points of the call are the interconnection rates for dedicated interoffice transport (per mile) and facility termination charges. For example, cost-based rates, approved by this Commission as interim rates subject to a true-up mechanism in Docket No. 11853-U (AT&T Arbitration case, approved at Administrative Session March 6, 2001), are: (1) $2.72 per mile for dedicated DS3 interoffice transport, and (2) $788.00 for dedicated DS3 interoffice transport facility termination. The CLEC would pay for the level of dedicated transport required based on its actual traffic volumes (i.e., DS1, DS3, OC3, etc.)

Q. IF BELLSOUTH WILL ALLOW A CLEC TO INTERCONNECT WITH BELLSOUTH'S NETWORK AT ANY TECHNICALLY FEASIBLE POINT, WHY DOES ISSUE NO. 1 EXIST?

A. Recall that what we are talking about is interconnection with "local networks," and BellSouth's overall network is actually a grouping of several distinct networks. For example, in the Atlanta LATA, BellSouth has local calling areas in Atlanta, Athens, Calhoun, Clayton, Columbus, and other surrounding areas. Customers who want local service in a particular local calling area must be connected to the local network that serves that local calling area. Therefore, a customer who connects to the Atlanta local network will not also receive local service in the Columbus local calling area because Columbus is not in the Atlanta local calling area. Likewise, a CLEC that wants to connect with BellSouth to provide local service in Columbus has to be connected to the local network that serves the Columbus local calling area. These local calling areas to which I am referring have been defined over the years by this Commission.

Q. IS THERE AN ALTERNATIVE THAT THE COMMISSION MIGHT CONSIDER THAT COULD ADDRESS SOME OF THE CONCERNS OF THE PARTIES?

A. Yes. BellSouth's position is that a CLEC should bear the costs that BellSouth incurs for delivering a local call to a POI that is located outside of the local calling area in which the call originated, regardless of the volume of traffic. This cost may be borne by the CLEC paying BellSouth to transport the traffic, or by the CLEC buying or leasing facilities at the additional POI. CLECs have argued that such an obligation is not warranted if the CLEC has only a small number of customers in a local calling area, and, therefore, BellSouth would only be transporting a small volume of traffic on behalf of the CLEC. These CLECs have argued that with fewer POIs per LATA, and no requirement to compensate BellSouth for transport of calls to that POI from throughout the LATA, a CLEC would have more incentive to solicit customers throughout the LATA, rather than just in the most densely populated areas. However, even if this is true, there should be a balance between promoting efficiencies for the CLECs and forcing an ILEC such as BellSouth to subsidize those efficiencies by bearing all the costs for carrying its originating calls between local calling areas to reach a CLEC's designated POI. For these reasons, a compromise such as establishing a threshold level of traffic is an alternative this Commission could consider.

Q. WOULD BELLSOUTH BE WILLING TO AGREE TO A MINIMUM THRESHOLD OF TRAFFIC, BELOW WHICH A CLEC IN GEORGIA WOULD NOT BE REQUIRED TO ESTABLISH A POINT OF

INTERCONNECTION WITHIN THE LOCAL CALLING AREA OR PAY FOR TRANSPORT TO REACH ITS SINGLE POI?

A. Yes. BellSouth has reached this type of agreement with two CLECs on this issue. As part of those settlement agreements, BellSouth has agreed that it will transport its originating local traffic to a CLEC POI across local calling areas until the traffic reaches a DS3 level. The relevant language from one such agreement is as follows:

> *Pursuant to the provisions of this Attachment, the location of the initial Interconnection Point in a given LATA shall be established by mutual agreement of the Parties. If the Parties are unable to agree to a mutual initial Interconnection Point, each Party, as originating Party, may establish a single Interconnection Point in the LATA for the delivery of its originated Local Traffic, ISP-bound Traffic, and IntraLATA Toll Traffic to the other Party for call transport and termination by the terminating Party. When the Parties mutually agree to utilize two-way interconnection trunk groups for the exchange of Local Traffic, ISP-bound Traffic and IntraLATA Toll Traffic between each other, the Parties shall mutually agree to the location of Interconnection Point(s).*
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> *Additional Interconnection Points in a particular LATA may be established by mutual agreement of the Parties. Absent mutual agreement, in order to establish additional Interconnection Points in a LATA, the traffic between CLEC-1 and BellSouth at the proposed additional Interconnection Point must exceed 8.9 million minutes of Local*

> *Traffic or ISP-bound Traffic per month for three consecutive months during the busy hour. Additionally, any end office to be designated as an Interconnection Point must be more than 20 miles from an existing Interconnection Point. BellSouth will not designate an Interconnection Point at a Central Office where physical or virtual collocation space or BellSouth fiber connectivity is not available, and BellSouth will not designate more than one Interconnection Point per local calling area unless such local calling area exceeds sixty (60) miles in any one direction, in which case additional Interconnection Points may only be established in that local calling area pursuant to the other criteria set forth in this section.*

The threshold level of 8.9 million minutes of traffic per month is typically equivalent to a DS3 level. For BellSouth's own network management, traffic at a DS1 level is the point at which BellSouth adds additional capacity in the form of direct trunk groups to alleviate traffic congestion through the tandem. Also, in interconnection agreements between BellSouth and CLECs, CLECs are generally required to establish direct end office trunking at a DS1 level of traffic. In comparison, BellSouth is willing to allow the exchange of traffic between BellSouth and a CLEC at a given proposed additional interconnection point to reach a DS3 level before the CLEC is required to either establish an additional POI or compensate BellSouth for hauling the traffic from the proposed additional POI to that CLEC's initial (or other) POI in the LATA.

Q. WHAT IS BELLSOUTH ASKING OF THIS COMMISSION?

A. BellSouth requests that this Commission require a CLEC to bear the costs that BellSouth incurs (including the costs of interconnection of trunks and facilities) for delivering a local call to a POI that is located outside of the local calling area in which the call originated. Alternatively, BellSouth requests that this Commission find that there should be a minimum traffic threshold, below which BellSouth would haul such traffic without charge to the CLEC, and above which the CLEC would be required to pay BellSouth to haul the traffic, or would be required to establish an additional POI. Should the Georgia Commission choose this alternative, BellSouth urges the Commission to establish that threshold at a level no higher than a DS3 volume of traffic.

Issue 2: Should an ILEC be permitted to impose restrictions on a CLEC's ability to assign NPA/NXX codes to its end-users?

Q. DOES ISSUE 2 REPRESENT THE ACTUAL DISPUTE BETWEEN THE PARTIES?

A. No. Both BellSouth and CLECs have agreed that a CLEC is permitted to assign NPA/NXX codes in any way it chooses, including outside the local calling area with which the codes are associated. The real dispute involves the appropriate inter-carrier compensation for calls from customers in a particular local calling area to customers who are physically located outside that local calling area, but have their telephone number associated with that local calling area. BellSouth's position is that such calls are not local calls, the originating and terminating points of the call are in different local calling areas, BellSouth is not required to pay reciprocal compensation for such calls, and BellSouth is entitled to bill the CLECs access charges for the traffic in question. The CLECs contend that the originating and terminating points of the call are irrelevant, that these calls are local by virtue of the telephone number dialed, and that reciprocal compensation should apply.

Q. CAN YOU DESCRIBE WHAT TYPICALLY HAPPENS WHEN AN NPA/NXX IS GIVEN TO A PARTICULAR CARRIER?

A. Yes. When a CLEC, or any other local carrier, is given an NPA/NXX code by the North American Numbering Plan Administrator ("NANPA"), the carrier must assign that NPA/NXX code to a specific rate center. In other words, all telephone numbers must have a unique "home". All other carriers use this assignment information to determine whether calls originated by its customers to numbers in that NPA/NXX code are local or long distance calls. For example, assume that the administrator assigns the 404/355 NPA/NXX to a CLEC. The CLEC would tell the administrator where 404/355 is assigned. Let's say the CLEC assigns the 404/355 code to the Atlanta rate center. When a local carrier's customer calls a number in the 404/355 code, the local carrier bills its customer based upon whether a call from the location where the call originates to the Atlanta rate center is a local call or a long distance call. If a BellSouth customer in the Atlanta local calling area calls a number in the 404/355 code in this example, BellSouth treats the call as a local call for purposes of billing its Atlanta customer. Likewise, if a BellSouth customer in Columbus calls a number in the 404/355 code, BellSouth would bill the customer for an intraLATA long distance call.

Q. IS A CLEC RESTRICTED TO GIVING NUMBERS ASSIGNED TO A PARTICULAR RATE CENTER TO CUSTOMERS WHO ARE PHYSICALLY LOCATED IN THAT SAME RATE CENTER?

A. No. In the example above, the CLEC is not restricted to giving numbers in the 404/355 code only to customers that are physically located in the Atlanta rate center. The CLEC is permitted to assign a number in the 404/355 code to any of its customers regardless of where they are physically located. Again, BellSouth is not attempting to restrict a CLEC's ability to do this.

To illustrate, let's look at Exhibit CKC-2. A CLEC could assign a number, say 404-355-5555, to the CLEC's End User ("EU") #1, who is physically located in Atlanta. A BellSouth customer in Atlanta who calls 404-355-5555 would be billed as if he or she made a local call. BellSouth agrees that this is a local call and, therefore, appropriate reciprocal compensation should apply.

Hypothetically, however, what happens if the CLEC disassociates the physical location of a customer with a particular telephone number from the rate center where that NPA/NXX code is assigned? Assume that the CLEC gives the number 404-355-2000 to the CLEC's EU #2, who is located in Columbus. If the BellSouth customer in Atlanta calls 404-355-2000, BellSouth will bill its customer in Atlanta as if the customer made a local call. BellSouth would hand off the call to the CLEC, and the CLEC would then carry the call from that point to its end user in Columbus. The end points of the call are in Atlanta and

Columbus, and therefore, the call is a long distance call. To use a more extreme example, the CLEC could elect to assign another number, say 404-355-3000 to the CLEC's EU #3, who is physically located in New York. The BellSouth customer in Atlanta who calls 404-355-3000 would be billed as if he made a local call, but the call would actually terminate in New York, which clearly would be a long distance call. However, it is generally the CLEC's position that, in this situation, BellSouth would still pay reciprocal compensation on those calls from Atlanta to Columbus or from Atlanta to New York, which are clearly long distance calls and not subject to reciprocal compensation.

Q. WHAT IS BELLSOUTH'S POSITION ON THIS ISSUE?

A. BellSouth's position is that, regardless of the telephone number that a CLEC assigns to its end user, BellSouth should only pay reciprocal compensation on calls that originate and terminate within the same local calling area.

BellSouth is asking that CLECs identify the minutes that are terminating to telephone numbers assigned to end users outside the associated local calling area, and identify which minutes are interLATA vs. intraLATA. The requested identification of the minutes of traffic is necessary so that BellSouth will not be inappropriately billed reciprocal compensation for non-local calls and so that BellSouth can correctly bill access. BellSouth will provide the same information to CLECs, and both parties would have audit rights. If a CLEC will separately identify such traffic, BellSouth does not object to a CLEC assigning numbers out of an NPA/NXX to end users located outside the local calling area with which that NPA/NXX is associated. Because of this freedom, a CLEC can elect to give a telephone number to a customer who is physically located in a different local calling area than the local calling area where that NPA/NXX is assigned. If the CLEC, however, chooses to give out its telephone numbers in this manner, calls originated by BellSouth end users to those numbers are not local calls. Consequently, such calls are not local traffic and no reciprocal compensation applies.

Q. HOW DO THE ACT AND THE FCC'S FIRST REPORT AND ORDER IN CC DOCKET 96-98 ADDRESS RECIPROCAL COMPENSATION?

A. Reciprocal compensation applies only when local traffic is terminated on either party's network. In its Local Competition Order (CC Docket No. 96-98, Order No. 96-325), paragraph 1034, the FCC made it perfectly clear that reciprocal compensation rules do not apply to interstate or interLATA traffic such as interexchange traffic:

> *We conclude that Section 251(b)(5), reciprocal compensation obligation, should apply only to traffic that originates and terminates within a local area assigned in the following paragraph. We find that reciprocal compensation provisions of Section 251(b)(5) for transport and termination of traffic do not apply to the transport and termination of interstate or intrastate interexchange traffic.*

In paragraph 1035, the Order states:

> *With the exception of traffic to or from a CMRS network, state commissions have the authority to determine what geographic areas should be considered "local areas" for the purpose of applying reciprocal compensation obligations under section 251(b)(5), consistent with the state commissions' historical practice of defining local service areas for wireline LECs. Traffic originating or terminating outside of the applicable local area would be subject to interstate and intrastate access charges.*

Further, FCC Rule 51.701(b)(1) defines local telecommunications traffic, to which reciprocal compensation is applicable, as:

> *(b) <u>Local telecommunications traffic</u>. For purposes of this subpart, local telecommunications traffic means:*
>
> > *(1) Telecommunications traffic between a LEC and a telecommunications carrier other than a CMRS provider that originates and terminates within a local service area established by the state commission;*

Q. IS TRAFFIC JURISDICTION ALWAYS DETERMINED BY THE RATE CENTERS WHERE THE ORIGINATING AND TERMINATING NPA/NXXs ARE ASSIGNED?

A. No. Traffic jurisdiction based on rate center assignment may be used for retail end user billing, but not for inter-company compensation purposes. The FCC has made it clear that traffic jurisdiction is determined based upon the originating and terminating end points of a call, not the NPA/NXXs of the calling or called number. One example is originating Feature Group A ("FGA") access service. With FGA, a customer dials a 7 (or 10) digit number and receives a second dial tone from the distant office. Then the customer, as in the case before equal access, enters a code and dials the long distance number. Even though the originating end user dials a number that appears local to him or her, no one disputes that originating FGA traffic is switched access traffic with respect to jurisdiction and compensation between the involved companies.

Another example is Foreign Exchange (FX) service. FX service is exchange service furnished to a subscriber from an exchange other than the one from which the subscriber would normally be served. Here again, it appears to the originating customer that a local call is being made when, in fact, the terminating location is outside the local calling area (i.e., long distance). Further, because the call to the FX number appears local and the calling and called NPA/NXXs are assigned to the same rate center, the originating end user is not billed for a toll call. Despite the fact that the calls appear to be local to the originating caller, FX service is clearly a long distance service. The reason the originating end user is not billed for a toll call is that the receiving end user has already paid for the charges from the real NPA/NXX office to the FX office. There are charges for this function and they are being paid by the customer that is benefiting from the FX service.

Q. WHERE HAS THE FCC MADE IT CLEAR THAT TRAFFIC JURISDICTION IS DETERMINED BASED UPON THE ORIGINATING AND TERMINATING END POINTS OF A CALL?

A. As quoted previously in my testimony, the FCC's Local Competition Order, at paragraph 1034, states that reciprocal compensation obligations should apply only to traffic that originates and terminates within a local area. In paragraph 1035, the Order states: "Traffic originating or terminating outside of the applicable local area would be subject to interstate and intrastate access charges."

FCC rulings for many years have held that jurisdiction was determined by the end points of a call. This principle has been applied at least since 1944. It was reaffirmed in 1945, 1980, 1984, 1992, 1995, 1997 and 1999. Clearly, the prevailing view in the industry has been that jurisdiction of a call is determined by its end points.

Q. WHEN A CLEC ASSIGNS NUMBERS IN THE MANNER YOU HAVE DESCRIBED, IS IT ATTEMPTING TO DEFINE ITS OWN LOCAL CALLING AREA?

A. When a CLEC assigns numbers in the manner described, the CLEC is not necessarily attempting to define a different local calling area for its customers than the local calling area offered by BellSouth. In fact, in the previous hypothetical example of the 404/355 code that the CLEC assigns to Atlanta, the CLEC does not need to have any customers who are physically located in the

Atlanta local calling area. What the CLEC is doing is offering a service that allows customers of other LECs (e.g., BellSouth) to place toll-free calls to selected customers of the CLEC who are physically located in a different local calling area. In the Atlanta example, the CLEC is attempting to redefine BellSouth's local calling area, but only in those instances in which a BellSouth end user places a call to the CLEC's selected end users.

The CLEC, however, is only permitted to define the local calling area for its own customers. If, in the example, the CLEC had any of its own local service customers in Atlanta and offered those customers the ability to call Columbus without long distance charges, then it could be said that the CLEC was offering a local calling area in Atlanta that was different from BellSouth's. The local calling area, however, would be defined that way only for those customers to whom the CLEC provided local service. The CLEC is free to design whatever local calling area it wants for its customers. The CLEC, however, is not free to determine the local calling area for BellSouth customers. Nor is the CLEC free to charge BellSouth reciprocal compensation for traffic that is not local.

Q. DOES BELLSOUTH CURRENTLY ASSIGN NXX CODES TO CUSTOMERS WHO ARE NOT PHYSICALLY LOCATED IN THE EXCHANGE AREA ASSOCIATED WITH A PARTICULAR NXX?

A. Yes. For example, BellSouth's FX service allows an FX subscriber that is not physically located in a particular exchange area to receive a telephone number with an NXX code that is associated with that exchange area.

Q. IS BELLSOUTH COMPENSATED FOR THE COSTS INCURRED WHEN ONE OF ITS CUSTOMERS CALLS A PERSON LOCATED IN A DIFFERENT LOCAL CALLING AREA?

A. Yes. When a BellSouth end user calls a person located outside of that end user's basic local calling area, BellSouth receives compensation in addition to the basic local rates it charges to its customers. When BellSouth carries an intraLATA toll call, for instance, BellSouth collects toll charges from its customer who placed the call. When a BellSouth customer places an interLATA call, BellSouth collects originating access from the IXC. When BellSouth carries an intraLATA call from a BellSouth end user to a BellSouth FX customer, BellSouth receives compensation for the FX service (including the toll component of that service) from its FX customer. Similarly, when BellSouth carries calls to a BellSouth customer with an 800 number, BellSouth receives compensation for the 800 service (including the toll component of that service) from its 800 service customer. In each of these cases, BellSouth is compensated from some source other than the local rates it charges its customers for placing local calls. That additional source may be BellSouth's end user customer (i.e., toll charges), another telecommunications provider such as an IXC (i.e., access charges), or an FX or 800 service subscriber (i.e., FX charges or 800 charges).

Q. DOES BELLSOUTH BILL CLECS RECIPROCAL COMPENSATION FOR CALLS FROM CLEC CUSTOMERS TO BELLSOUTH FX CUSTOMERS?

A. No. Although, in the past, BellSouth billed CLECs reciprocal compensation for calls from CLEC customers to BellSouth FX customers (if the FX customer was not an Internet service provider), BellSouth has ceased doing so. BellSouth built a database of all existing BellSouth FX numbers, and has implemented programming that will place newly assigned FX numbers into the database as they are assigned. This database is used to prevent billing of reciprocal compensation on calls to BellSouth FX numbers. These system changes were implemented region-wide effective February 23, 2001.

Q. HOW HAVE STATE COMMISSIONS IN THE BELLSOUTH REGION ADDRESSED THIS ISSUE?

A. The South Carolina, Kentucky and Tennessee Commissions have ruled consistent with BellSouth's position on this issue: (1) South Carolina Docket No. 2000-516-C, Order No. 2001-045, dated January 16, 2001 (Adelphia arbitration); (2) Kentucky Case No. 2000-404, dated March 14, 2001 (Level 3 arbitration); and Tennessee Docket No. 99-00948, Transcript of Proceedings, dated February 6, 2001 (Intermedia arbitration).

Q. ARE YOU AWARE OF ANY COMMISSIONS OUTSIDE BELLSOUTH'S REGION THAT HAVE ADDRESSED WHETHER THE SERVICE DESCRIBED IN THIS ISSUE IS LOCAL OR INTEREXCHANGE?

A. Yes. The Maine, Texas, and Illinois Commissions have determined that this call scenario is <u>not</u> local service. Texas and Illinois have further stated that reciprocal compensation should not apply in Virtual FX/Virtual NXX situations. The referenced orders are: (1) Maine Commission, Docket Nos. 98-758 and 99-593, dated June 30, 2000 (Investigation into Use of Central Office Codes (NXXs) by Brooks Fiber); (2) Illinois Commerce Commission Docket 00-0332, dated August 30, 2000 (Level 3/Ameritech Illinois Arbitration); and (3) Texas Commission Docket 21982, dated July 13, 2000 (Proceeding to Examine Reciprocal Compensation Pursuant to Section 252 of the Federal Telecommunications Act of 1996).

Q. WHAT IS BELLSOUTH REQUESTING OF THE COMMISSION?

A. BellSouth is asking the Commission to rule that reciprocal compensation is only appropriate for local traffic, which is traffic that originates and terminates within a local calling area. BellSouth is not asking the Commission to restrict a CLEC's ability to allocate numbers out of its assigned NPA/NXX codes in whatever manner it sees fit. BellSouth simply requests the Commission to determine that if a CLEC assigns telephone numbers to customers that are physically located in a different local calling area than the local calling area where the NPA/NXX is assigned, then calls originated by BellSouth end users in the local calling area where the NPA/NXX is assigned to those numbers are not local calls. Such calls are not considered local traffic and, therefore, no reciprocal compensation should apply. Furthermore, this Commission should find that if a CLEC assigns NPA/NXX numbers outside the assigned local calling area, then the CLEC must identify such long distance traffic and pay BellSouth for the originating switched access service BellSouth provides on those calls.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

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